

## Guidelines for Repeat Finding Corrective Action Plans

### AUTHORITY

Indiana Code 5-11-5-1.5 provides that if an examination report contains a finding, the audited entity shall take action to address the finding. If the finding is repeated in a subsequent examination report, the audited entity must file a corrective action plan (CAP) with the State Board of Accounts (SBOA). These guidelines should be used by the audited entity if a CAP is required due to a repeat finding.

### DEFINITIONS

Audit Committee	Established in IC 2-5-1.1-6.3(b): "The audit and financial reporting subcommittee of the legislative council is established to assure the independence of the state board of accounts." IC 2-5-1.1-6.3(c) states in part: "It is the responsibility of the audit committee to provide independent review and oversight of the state board of accounts and the examination process used by the state board of accounts."
Audited Entity	Defined in IC 5-11-5-1.5(a) as "... (1) A state agency (as defined in IC 4-13-1-1). (2) A public hospital. (3) A municipality. (4) A body corporate and politic. (5) A state educational institution. (6) An entity to the extent that the entity is required to be examined under IC 5-11-1-9 or another law."
Examination	An engagement performed by the SBOA, including, but not limited to: financial audits, reviews, compliance engagements, and special investigations.
Examination Report	A publicly filed report issued as a result of an examination.
Supplemental Report	A report that is supplemental to our audit report. It has been provided as a separate report so that a reader may easily identify any reportable instances of reportable noncompliance found as a result of procedures we performed to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.
Finding	A written comment in an examination or supplemental report regarding the failure of an audited entity to observe a uniform compliance guideline established under IC 5-11-1-24, or to comply with a specific law. A finding is identified as a result and comment in a publicly filed report.
Repeat Finding	A finding in a subsequent examination or supplemental report that is the same as or substantially similar to the finding contained in a previous examination or supplemental report. A repeat finding is identified as a result and comment in a publicly filed report.

### GUIDELINES

For all engagements begun after December 1, 2017 and ended after February 1, 2018 a CAP will be required if the previous examination report was issued after 7-1-17 and the examination or supplemental report includes a repeat finding.

### Notification of Repeat Finding

When an engagement is completed, those in governance and the affected official will be formally notified at the exit conference if there are any repeat findings.

At the exit conference, SBOA field examiners will provide the CAP template and will discuss potential solutions for correcting the repeat finding(s). The potential solutions are offered for discussion purposes only and should not be perceived as specific or mandatory instructions for the corrective action to be taken. Entity personnel are responsible for evaluating the circumstances and then determining the appropriate corrective action.

### **Preparation of CAP**

A separate CAP should be prepared and submitted for each repeat finding.

To facilitate the preparation of the CAP, the SBOA has created a template, which is attached to this document. After the exit conference, the audited entity will have ten (calendar) days to submit a response to the SBOA either by submitting the CAP through the SBOA website [www.in.gov/sboa/5207.htm](http://www.in.gov/sboa/5207.htm) or by requesting an extension to complete the plan to [CAP@sboa.in.gov](mailto:CAP@sboa.in.gov).

The CAP should summarize the understanding of the issue and the steps that will be implemented to correct the issue. The CAP filed on our website will be a publicly disclosable document, similar to the federal Corrective Action Plans that are included with our filed federal audit reports.

In addition to the Corrective Action Plan, the unit may need to develop related supporting materials that provide more detail about how the compliance issues will be addressed. These detailed materials are not required to be provided to the State Board of Accounts. The unit may request assistance from the SBoA in reviewing the detailed materials and providing feedback. Detailed materials provided to the SBoA will be considered as confidential workpapers under IC 5-11-5-1(i) since they relate to particular issues that the SBoA will be following up on concerning CAP completion and at the next examination. The SBoA staff may provide notes or feedback on how the matter may be viewed in a subsequent audit.

In a similar fashion, SBoA will treat emails, letters, and other correspondence regarding CAP details to be a part of our confidential workpapers.

Local units should consult with local counsel as to their proper characterization and handling of the above documents in the possession of the unit in relation to any public access requests.

### **Timeline for Implementation of CAP**

Once the CAP has been submitted to the SBOA, it will be reviewed to determine if the plan has all required elements and that the entity is addressing the substance of the finding. After it is reviewed, the entity's contact person will be notified that the CAP has been accepted.

IC 5-11-5-1.5 requires that a repeat finding must be corrected not later than 6 months after the date on which the CAP is filed.

In instances where the corrective action will require more than 6 months, a detailed reason why along with a detailed time-line must be provided in the CAP. These instances will be rare and based on the nature of the issue.

If, during implementation of the CAP, the audited entity determines that the plan is either not feasible or requires significant adjustment, the entity must notify SBOA via [CAP@sboa.in.gov](mailto:CAP@sboa.in.gov) immediately.

### **Completion of CAP**

When the CAP is completed and the repeat finding has been corrected, the audited entity must notify the SBOA via [CAP@sboa.in.gov](mailto:CAP@sboa.in.gov).

The SBOA will verify the information submitted and either confirm that the repeat finding has been corrected or discuss with the audited entity that additional steps may be required to correct the repeat finding.

### **CAP Not Filed or Repeat Finding Not Corrected**

If a CAP is not implemented or the repeat finding is not corrected within six months, the SBOA is required to prepare a memorandum to the audit committee summarizing the examination report finding, the CAP, the manner by which the examination report was or was not addressed and a recommended course of action.

The SBOA must present this memorandum to the audit committee. If the audit committee determines that further action should be taken, the audit committee may proceed in accordance with IC 5-11-5-1.5 (f).

-

## **FREQUENTLY ASKED QUESTIONS**

### **What if I have questions about how to complete my CAP?**

Please submit questions to [CAP@sboa.in.gov](mailto:CAP@sboa.in.gov).

### **How will I be informed that the plan has been accepted?**

You will be notified via the contact person's email address.

### **Are federal findings included in this CAP?**

The CAP only applies to findings that appear as results and comments in a supplemental report. Any federal findings will be identified during your federal audit and the federal audit team will provide you with instructions for those findings.